

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2444 - HB 2618

February 28, 2018

SUMMARY OF BILL: Imposes a \$0.10 state sales tax on each opioid pill dispensed in this state pursuant to a prescription. Requires tax revenue collected from such tax to be paid into the General Fund and credited to a separate account for drug prevention education for youth, drug prevention and treatment centers, and support for drug court treatment programs. Prohibits local governments from imposing a local option sales tax on such opioid pill prescriptions.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$21,659,000/Drug Prevention, Treatment, and Drug Courts

Increase State Expenditures - \$1,558,600/TennCare

Increase Federal Expenditures - \$3,006,500

Assumptions:

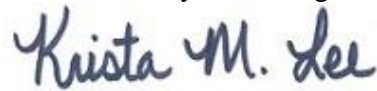
- An effective date of July 1, 2018.
- Based on information provided by the Division of TennCare, enrollees were dispensed 45,651,020 opioid pills in FY16-17.
- TennCare will be responsible for covering the tax for its enrollees. An increase in costs to the division of \$4,565,102 (45,651,020 x \$0.10).
- This amount will be expended at a state rate of approximately 34.142 percent and will receive federal matching funds at a rate estimated to be 65.858 percent. A resulting increase in state expenditures of \$1,558,617 (4,565,102 x 34.142%) and an increase in federal expenditures of \$3,006,485 (4,565,102 x 65.858%).
- Based on information provided by the Department of Finance and Administration, Division of Benefits Administration, its PBM provided that members covered under state and local plans were dispensed 9,847,587 opioid pills in FY16-17.
- The PBM will incur a cost of approximately \$984,759 (9,847,587 x \$0.10).
- According to the Division, this cost will not be passed on to the Division.
- According to the Centers for Disease Control and Prevention 2017 report (*Annual Surveillance Report of Drug-Related Risks and Outcomes*), there were 107.5 opioid prescriptions per 100 persons in Tennessee in 2016.
- According to the United States Bureau of the Census, Tennessee's population as of July 1, 2017 is estimated to be 6,715,984.

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- Assuming the average number of pills per prescription is 30, the total number of opioid pills prescribed in Tennessee is estimated to be 216,590,484 $\{[107.5 \times (6,715,984 / 100)] \times 30\}$. This number is assumed to remain constant into perpetuity and include the opioids prescribed to TennCare enrollees.
- The recurring increase in state revenue to the General Fund is estimated to be \$21,659,048 $(216,590,484 \times \$0.10)$.
- Any increase in state expenditures to the Department of Revenue to ensure compliance with this Act will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb